

**BUILD, INC.**

**FINANCIAL STATEMENTS  
AS OF JUNE 30, 2019 AND 2018**

**TOGETHER WITH AUDITOR'S REPORT**



**Dugan &  
Lopatka**

Certified Public Accountants  
4320 WINFIELD ROAD, SUITE 450  
WARRENVILLE, IL 60555  
630 665 4440  
duganlopatka.com

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
BUILD, Inc.:

We have audited the accompanying financial statements of BUILD, Inc., which comprise the statement of financial position as of June 30, 2019 and 2018, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

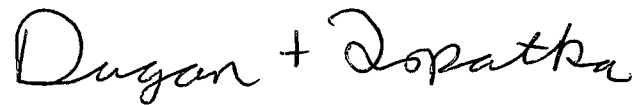
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report  
To the Board of Directors of  
BUILD, Inc.  
Page two

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BUILD, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Dugan + Lopatka". The signature is written in a cursive, flowing style.

DUGAN & LOPATKA

Warrenville, Illinois  
February 13, 2020

BUILD, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 669,597	\$ 130,278
Grants receivable	704,242	528,841
Pledges receivable, current	2,500	-
Investments	65,623	138,496
Prepaid expenses	75,240	92,992
Total current assets	1,517,202	890,607
<b>PROPERTY AND EQUIPMENT:</b>		
Land	32,500	32,500
Building	831,405	824,191
Equipment	160,416	118,012
Vehicle	68,063	20,373
	1,092,384	995,076
Less: Accumulated depreciation	267,865	217,951
	824,519	777,125
Pledges receivable, net of current and discount	15,254	-
	\$ 2,356,975	\$ 1,667,732
 <u>LIABILITIES AND NET ASSETS</u>  		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 292,021	\$ 127,953
Grant advance	8,885	6,777
Total liabilities	300,906	134,730
<b>COMMITMENTS</b>		
<b>NET ASSETS:</b>		
Without donor restrictions	1,293,227	1,209,354
With donor restrictions	762,842	323,648
Total net assets	2,056,069	1,533,002
	\$ 2,356,975	\$ 1,667,732

The accompanying notes are an integral part of this statement.

BUILD, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Public support -						
Contributions	\$ 1,998,387	\$ 170,832	2,169,219	\$ 1,620,192	\$ 190,150	\$ 1,810,342
Capital campaign contributions	-	553,754	553,754	-	-	-
Special Event Contributions	1,138,438	-	1,138,438	762,189	-	762,189
United Way of Metropolitan Chicago	191,482	-	191,482	138,748	-	138,748
After School Matters	6,094	-	6,094	-	-	-
Local initiatives support	11,500	-	11,500	-	-	-
Revenue and grants from governmental agencies -						
U.S. Department of Education	292,821	-	292,821	227,768	-	227,768
Chicago Department of Family and Support Services	675,396	-	675,396	681,854	-	681,854
Cook County Board of Commissioners	80,714	-	80,714	200,920	-	200,920
Illinois State Board of Education	75,038	-	75,038	68,199	-	68,199
Illinois Department of Human Services	173,036	-	173,036	63,993	-	63,993
Illinois Criminal Justice Information Authority	361,565	-	361,565	12,561	-	12,561
Department of Public Health	28,592	-	28,592	-	-	-
Other revenue	36,510	-	36,510	50,710	-	50,710
Total support and revenue	<u>\$ 5,069,573</u>	<u>\$ 724,586</u>	<u>\$ 5,794,159</u>	<u>\$ 3,827,134</u>	<u>\$ 190,150</u>	<u>\$ 4,017,284</u>

The accompanying notes are an integral part of this statement.

BUILD, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
RECLASSIFICATIONS:						
Net assets released upon satisfaction of purpose restrictions	\$ 285,392	\$ (285,392)	\$ -	\$ 4,048	\$ (4,048)	\$ -
FUNCTIONAL EXPENSES:						
Program expenses	3,580,008	-	3,580,008	2,663,483	-	2,663,483
Management and general	848,409	-	848,409	613,463	-	613,463
Fundraising	842,675	-	842,675	467,928	-	467,928
Total functional expenses	<u>5,271,092</u>	<u>-</u>	<u>5,271,092</u>	<u>3,744,874</u>	<u>-</u>	<u>3,744,874</u>
CHANGE IN NET ASSETS	83,873	439,194	523,067	86,308	186,102	272,410
NET ASSETS, Beginning of year	<u>1,209,354</u>	<u>323,648</u>	<u>1,533,002</u>	<u>1,123,046</u>	<u>137,546</u>	<u>1,260,592</u>
NET ASSETS, End of year	<u>\$ 1,293,227</u>	<u>\$ 762,842</u>	<u>\$ 2,056,069</u>	<u>\$ 1,209,354</u>	<u>\$ 323,648</u>	<u>\$ 1,533,002</u>

The accompanying notes are an integral part of this statement.

BUILD, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 523,067	\$ 272,410
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	49,914	40,275
Realized (gain) on investments	(80,716)	-
Unrealized loss on investments	74,589	894
Donated Stock	(1,013)	(73,529)
Contributions received for long-term purposes	(536,000)	-
(Increase) in grants receivable	(175,401)	(161,754)
(Increase) in pledges receivable	(17,754)	-
(Increase) decrease in prepaid expenses	17,752	(49,019)
Increase (decrease) in accounts payable and accrued expenses	164,068	(30,349)
Increase (decrease) in grant advance	2,108	(67,100)
Net adjustments	<u>(502,453)</u>	<u>(340,582)</u>
Net cash provided by (used in) operating activities	<u>20,614</u>	<u>(68,172)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(97,307)	(47,707)
Purchaes of investmetns	(42,393)	(249)
Proceeds from sale of investments	122,405	-
Net cash (used in) investing activities	<u>(17,295)</u>	<u>(47,956)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term purposes	<u>536,000</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	539,319	(116,128)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>130,278</u>	<u>246,406</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 669,597</u>	<u>\$ 130,278</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ 4,261</u>	<u>\$ 1,373</u>

The accompanying notes are an integral part of this statement.

BUILD, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program Expense</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 2,244,784	\$ 648,508	\$ 331,317	\$ 3,224,609
Employee benefits	260,895	60,858	29,856	351,609
Payroll taxes	161,324	49,987	27,018	238,329
Professional fees and contracts	159,525	36,850	29,850	226,225
Supplies	154,617	9,608	7,282	171,507
Telephone	21,064	2,149	1,499	24,712
Postage and shipping	1,306	596	494	2,396
Occupancy	6,933	-	101	7,034
Fundraising events	-	-	388,189	388,189
Utilities	16,429	2,335	1,674	20,438
Equipment rental	48,163	3,826	2,321	54,310
Outside printing	5,843	1,312	4,128	11,283
Transportation	61,904	4,874	2,369	69,147
Conferences and meetings	25,186	2,086	1,455	28,727
Specific assistance to individuals	229,366	-	-	229,366
Repairs and maintenance	115,719	10,572	6,338	132,629
Depreciation	40,228	5,812	3,874	49,914
Interest expense	-	4,261	-	4,261
Miscellaneous	26,722	4,775	4,910	36,407
	<u>\$ 3,580,008</u>	<u>\$ 848,409</u>	<u>\$ 842,675</u>	<u>\$ 5,271,092</u>
Total functional expenses	<u>\$ 3,580,008</u>	<u>\$ 848,409</u>	<u>\$ 842,675</u>	<u>\$ 5,271,092</u>

The accompanying notes are an integral part of this statement.



BUILD, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Program Expense</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,682,203	\$ 441,351	\$ 247,033	\$ 2,370,587
Employee benefits	195,088	57,671	21,404	274,163
Payroll taxes	136,557	34,658	19,799	191,014
Professional fees and contracts	122,872	18,833	15,923	157,628
Supplies	92,679	10,120	4,394	107,193
Telephone	15,650	1,620	1,347	18,617
Postage and shipping	2,362	1,736	322	4,420
Occupancy	4,732	-	51	4,783
Fundraising events	-	-	117,111	117,111
Utilities	14,238	1,563	1,563	17,364
Equipment rental	40,296	1,871	1,811	43,978
Outside printing	10,870	1,296	7,783	19,949
Transportation	27,859	2,258	1,966	32,083
Conferences and meetings	20,856	4,802	1,332	26,990
Specific assistance to individuals	155,678	18,284	8,332	182,294
Repairs and maintenance	72,430	8,530	8,140	89,100
Depreciation	33,026	3,624	3,625	40,275
Interest expense	-	1,373	-	1,373
Miscellaneous	36,087	3,873	5,992	45,952
	<u>\$ 2,663,483</u>	<u>\$ 613,463</u>	<u>\$ 467,928</u>	<u>\$ 3,744,874</u>
Total functional expenses	<u>\$ 2,663,483</u>	<u>\$ 613,463</u>	<u>\$ 467,928</u>	<u>\$ 3,744,874</u>

The accompanying notes are an integral part of this statement.

BUILD, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BUILD, Inc. (Broader Urban Involvement and Leadership Development) (BUILD) was established in 1969 as a private non-profit voluntary agency to redirect disruptive and delinquent youth, many of whom were and are members of urban street gangs. BUILD engages at-risk youth in the schools and on the streets so they can realize their educational and career potential and contribute to the stability, safety and well being of the communities. BUILD does this through expertise in youth development, violence prevention/intervention and coalition building.

BUILD's vision is that by 2020, BUILD will be sought out as a premier provider of proven-effective youth development services targeted for at-risk youth and communities. As this vision is realized, our youth will be motivated and equipped with the tools to utilize educational and community resources that will assist them in achieving social mobility.

The financial statements were available to be issued on February 13, 2020, with subsequent events being evaluated through this date.

The following summarizes the significant accounting policies and practices reflected in the accompanying financial statements.

Basis of Accounting -

The financial statements of BUILD have been prepared on the accrual basis of accounting which recognizes revenues as they are earned and expenses as they are incurred.

Basis of Presentation -

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC), *Financial Statements for Not-for-Profit Organizations*. Under the ASC, BUILD is required to report information regarding two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Without donor restrictions* - Net assets that are not subject to donor-imposed stipulations and may be expensed for any purpose in performing the primary objectives of BUILD. These net assets may be used at the discretion of management and the board of directors.

*With donor restrictions* - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of BUILD and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents -

BUILD considers all cash accounts and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Concentrations of Credit Risk -

Financial instruments which potentially subject BUILD to concentrations of credit risk consist principally of cash. BUILD places its cash and deposits with high quality financial institutions. Deposits may exceed the federally insured limits of their institution from time to time.

Grant Receivables -

Receivables represent grants and donations due to BUILD from governmental agencies and non-profit agencies. These receivables are reviewed at year end and amounts deemed uncollectible are written off.

Pledge Receivables -

Pledge receivable are considered unconditional promises to give. They are recognized as receivables and contributions in the period the pledge is made. Pledges receivable in excess of one year are discounted to their net present value. The discount on those amounts is computed using risk-free rates applicable to the years in which the pledges are received. The allowance for doubtful accounts is based on BUILD's historical collection experience.

Investments -

Investments are carried at fair value, except for certificates of deposit which are carried at cost. Realized and unrealized gains and losses are reflected in the statement of activities.

Property and Equipment -

Property and equipment are carried at original cost or fair market value at date of receipt for donated assets less accumulated depreciation. BUILD follows the practice of capitalizing all expenditures for fixed assets with a life longer than one year and cost is greater than \$300. Depreciation is computed using the straight-line method to amortize the cost of fixed assets over their estimated useful lives, ranging from 3 to 30 years.

Contributed Goods and Services -

Contributed materials and equipment are recorded as support and expenses at fair market value when determinable, otherwise, at values indicated by the donor. BUILD generally pays for services requiring specific expertise. In 2019 and 2018, BUILD did not receive contributions for services that required specific expertise. No amounts have been reflected in the financial statements for contributed services that do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenues -

All contributions, including unconditional promises to give, are considered to be without donor restrictions unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Grant advance is cash received from conditional promises to give that the condition has not been met as of June 30, 2019 and 2018. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as restricted support that increases net assets with donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Gifts of property and equipment are reported as support without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, BUILD reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

New Accounting Pronouncement -

During 2019, BUILD adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. This update to ASU 958 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. BUILD had adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Use of Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

Income Taxes -

BUILD has been determined by the Internal Revenue Service to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been established.

BUILD files informational returns in the U.S. federal jurisdiction and Illinois. With few exceptions, BUILD is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for fiscal years before 2016. BUILD does not expect a material net change in unrecognized tax benefits in the next twelve months.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Allocation of Expenses -

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related expenses which are allocated on the basis of estimated of time and effort, and professional fees and contracts, supplies, telephone, postage and shipping, occupancy, utilities, equipment rental, outside printing, transportation, conferences and meetings, repairs and maintenance, depreciation, and miscellaneous which are allocated on the basis of full time equivalents.

(2) PLEDGES RECEIVABLE:

Included in pledges receivable are the following unconditional promises to give

	<u>2019</u>	<u>2018</u>
Pledges receivable	\$ 20,000	\$ -
Less - Unamortized discounts	<u>2,246</u>	<u>-</u>
Net unconditional promises to give	<u>\$ 17,754</u>	<u>\$ -</u>
Amounts due in:		
Less than one year	\$ 2,500	\$ -
One to five years	<u>17,500</u>	<u>-</u>
	<u>\$ 20,000</u>	<u>\$ -</u>

(3) INVESTMENTS:

As of June 30, 2019 and 2018, investments are comprised of the following:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 11	\$ 249
Common stock	-	72,635
Certificate of deposit	<u>65,612</u>	<u>65,612</u>
	<u>\$ 65,623</u>	<u>\$ 138,496</u>

Investment return consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 1,067	\$ 249
Unrealized (losses) on investments	(74,589)	(894)
Realized gain on sale of investments	80,716	-
Investment management fees	<u>(86)</u>	<u>-</u>
Total investment return	<u>\$ 7,108</u>	<u>\$ (645)</u>

(4) FAIR VALUE MEASUREMENTS:

BUILD adopted Accounting Standards Codification (ASC), *Fair Value Measurements*. The ASC establishes a single definition of fair value and a framework for measuring fair value, sets out a fair value hierarchy to be used to classify the source of information used in fair value measurement and expands disclosures about fair value measurements required under other accounting pronouncements. It does not change existing guidance as to whether or not an instrument is carried at fair value.

The ASC established market and observable inputs as the preferred source of values, followed by assumptions based on hypothetical transactions in the absence of market inputs.

The valuation techniques required by the ASC are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the BUILD's market assumptions. These two types of inputs create the following fair value hierarchy.

Level 1:

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2:

Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3:

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

Common Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Money Market: Valued at cost, which approximates fair value.

(4) FAIR VALUE MEASUREMENTS: (Continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although BUILD believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date

The following table sets forth by level, within the fair value hierarchy, BUILD's assets at fair value:

<u>Description</u>	<u>Assets at Fair Value as of June 30, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 11	\$ -	\$ -	\$ 11
Total assets at fair value	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ -</u>	11
Certificates of deposit				<u>65,612</u>
Total investments				<u>\$ 65,623</u>

<u>Description</u>	<u>Assets at Fair Value as of June 30, 2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock-				
Large Cap Core	\$ 37,085	\$ -	\$ -	\$ 37,085
Large Cap Value	9,065	-	-	9,065
Large Cap Growth	19,646	-	-	19,646
Mid Cap Value	<u>6,839</u>	<u>-</u>	<u>-</u>	<u>6,839</u>
Total Common Stock	72,635	-	-	72,635
Money market funds	<u>249</u>	<u>-</u>	<u>-</u>	<u>249</u>
Total assets at fair value	<u>\$ 72,884</u>	<u>\$ -</u>	<u>\$ -</u>	72,884
Certificates of deposit				<u>65,612</u>
Total investments				<u>\$ 138,496</u>

(5) DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES:

The following are the three main programs of BUILD:

*BUILD's Prevention program* promotes positive youth development by equipping youth with the life skills necessary to resist the lure of street gangs, violence and drugs. As these youths develop a steady support system and knowledge base, they are referred to the *BUILDing Futures* program to further prepare themselves for academic and career success. The program includes in-school activities, after-school activities and community outreach collaboration.

*BUILD's Intervention program* is designed to reduce youth violence in targeted high schools. Intervention Specialists and Case Managers engage youth in in-school sessions and/or after-school activities in order to identify issues, seek solutions, mediate disputes, and encourage education. The program includes two subprograms: Gang/Violence Remediation and Juvenile Rehabilitation (Project BUILD). Project BUILD, the rehabilitation program at the Cook County Juvenile Temporary Detention Center, intervenes in the lives of youth detained at and released from the Detention Center in order to reduce recidivism.

*BUILDing Futures* assists at-risk students develop and implement plans for postsecondary education and career. The Personal Education Plans allow students to establish short and long-term goals, as well as action steps needed to reach their goals.

(6) COMMITMENTS AND CONTINGENCIES:

BUILD has operating leases for equipment which expire at various dates until April, 2024. Lease expense for the years ended June 30, 2019 and 2018 was \$31,252 and \$24,771, respectively.

Minimum lease payments are as follows:

Year ending <u>June 30,</u>	
2020	\$ 22,720
2021	10,464
2022	10,464
2023	10,464
2024	<u>7,848</u>
	<u>\$ 61,690</u>

Federal and State Grants -

BUILD receives significant financial assistance from several federal, state and local government agencies in the form of grants. Program revenue in excess of program expenses is typically subject to recapture under various provisions. Additionally, the disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability to BUILD.



(6) COMMITMENTS AND CONTINGENCIES: (Continued)

Environmental Remediation -

BUILD purchased property during the year ended June 30, 2012 which was found to have soil contamination and possible groundwater contamination by previous environmental assessments. BUILD has been required by the Illinois Environmental Protection Agency to remediate the contamination. An agreement is in place with a third party to remediate the contamination at a cost not to exceed \$200,000. As of June 30, 2019, \$92,183 remediation expenses have been incurred on the property. If additional problems are found, it is reasonably possible that a change in the estimate could occur in the near term.

(7) LINE OF CREDIT:

BUILD has a \$550,000 line of credit with a bank that matures in May, 2020. bearing interest at prime (5.50% at June 30, 2019) plus 2.5%. The line was secured by substantially all business assets of BUILD and BUILD had a certificate of deposit as collateral. As of June 30, 2019 and 2018, BUILD has no borrowing on the line of credit.

(8) EMPLOYEE RETIREMENT PLAN:

BUILD provides a defined contribution benefit plan to its employees after two years or 1,000 or more hours of service. BUILD funds all the administrative costs of the plan and the employer contribution to the plan is discretionary. There were no employer contributions to the retirement plan for the years ended June 30, 2019 and 2018.

(9) FUTURE COMMITTED REVENUE:

BUILD received the following future commitments from granting agencies as of June 30, 2019:

	<u>Term</u>	<u>Grant Amount</u>	<u>Earned as of June 30, 2019</u>	<u>Funding Available</u>
U.S. Department of Education	09/01/16 to 08/31/21	\$ 1,200,000	\$ 639,183	\$ 560,817

(10) NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions available for the following purposes as of June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Purpose restricted –		
Capital Campaign	\$ 553,754	\$ 85,575
BUILDing Futures	<u>38,256</u>	<u>49,573</u>
	592,010	135,148
Time restricted –	<u>170,832</u>	<u>188,500</u>
Total	<u>\$ 762,842</u>	<u>\$ 323,648</u>

(11) SUBSEQUENT EVENT:

In fiscal year 2019 BUILD began a capital campaign. BUILD has received unconditional promises to give totaling \$2,076,250 in relation to the capital campaign subsequent to year end. These promises are in writing and have not been discounted to present value. These amounts will be recorded as revenue in fiscal year 2020.

(12) LIQUIDITY AND AVAILABILITY:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 669,597	\$ 130,278
Investments	65,623	138,496
Contributions, grants, pledges receivable	<u>721,996</u>	<u>528,841</u>
Total financial assets	<u>1,457,216</u>	<u>797,615</u>
Less:		
Assets with donor restrictions	<u>592,010</u>	<u>135,148</u>
Financial assets available to meet cash needs for general expenditures that is without donor or other restrictions limiting their use within one year	<u>\$ 865,206</u>	<u>\$ 662,467</u>

BUILD's goal is to generally maintain enough financial assets to meet 3 months of operating expenses (approximately \$1,310,000).

Additionally, BUILD maintains a \$550,000 line of credit as discussed in more detail in Note 7. The available balance on the line of credit was \$550,000 for the years ended June 30, 2019 and 2018.

BUILD manages its liquidity and reserves adhering to the following principles:

- operating within a prudent range of financial soundness and stability.
- incurring unbudgeted costs only when such costs are funded.
- maintaining adequate liquid assets to fund near-term operating needs.